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|---|---|---|
| TSE | 10,485.20 | +253.57 |
| CDNX | 3320.37 | +30.60 |
| DOW | 10,226.59 | +83.61 |
| NASDAQ | 3483.14 | +64.54 |
| GOLD (N.Y.) | $271.20 | +$1.10 |
| DOLLAR | 66.10 | –0.03 |
| PRIME RATE | 7.50 | UNCH |

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The Gazette
BUSINESS

SECTION C
*Trading Highlights C4*

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SATURDAY, OCTOBER 21, 2000

# Airport authority president resigns

SARAH DOUGHERTY
*The Gazette*

Under a hail of criticism for recent gaffes in her dealings with the federal government, the head of Montreal's airport authority has resigned.

Nycol Pageau-Goyette, president and chief executive of **Aéroports de Montréal**, tendered her resignation in writing at a special meeting of the board yesterday.

Just last week, the airport authority was forced to admit it failed to get the necessary approvals from Ottawa to let **Bombardier Inc.** build an aircraft-assembly plant at Mirabel airport.

**Pageau-Goyette under fire.**

The federal government owns Dorval and Mirabel airports and rents them to the authority under a long-term lease.

The Bombardier project shouldn't have been presented as a *fait accompli*, Pierre Martin, chairman of the board of the authority, said at a press conference yesterday.

Martin, who heads **Alstom Canada**, a railway-equipment-maintenance and remanufacturing company, was forced into damage-control mode with Transport Minister David Collenette last week.

Yesterday, Martin said Pageau-Goyette threw "oil on the fire" by suggesting the airport authority was forced to act quickly with Bombardier because Collenette might have favoured his Toronto riding for the new plant.

"Her off-the-cuff comments put the minister's integrity into question," Martin said. "That was not acceptable."

Martin hurriedly organized a meeting with Collenette in Ottawa last Monday to apologize on behalf of his board.

Pageau-Goyette, who is in Europe on airport business, tendered her resignation after a phone conversation with Martin late Thursday. She could not be reached for comment.

The board's corporate-governance committee will take charge until next week, when an interim management group will be put in place, Martin said. A search for a new president will begin shortly.

Pageau-Goyette, who earned a base salary of $175,000 plus a bonus of $54,000 last year as head of the authority, has had a rocky tenure.

She came under criticism from mayors in the Mirabel region for failing to consult an advisory body set up to deal with the airport authority on broad policy questions.

**LAPSES IN MANAGEMENT**

Known as SOPRAM, the body is made up of representatives of Montreal-area municipalities and business-development agencies.

In March, Pageau-Goyette was forced to explain a leaked auditor's report that noted lapses in the management of airport-construction projects between 1992 and '97. Subsequent auditors' reports confirmed that tighter controls had been put into place.

Last spring, Pageau-Goyette fended off charges of conflict of interest when a firm she heads, **Pageau Goyette et Associés Ltée**, provided administrative services to the airport authority.

As volunteer chairman of the Société du Parc des Îles 'le Montréal, Pageau-Goyette came under fire in March from city of Montreal officials for ignoring its wishes regarding the fate of La Ronde.

Martin said the Bombardier project was not in jeopardy, although the airport authority would have to figure out how to remedy the breach of the lease.

Anthony Polci, a spokesman for Collenette, said Transport Canada lawyers are looking at the issue.

"There still appears to be a breach of the lease and there may be consequences for the Montreal airport authority," Polci said. "But the minister made it clear the Bombardier facility would not be impeded in any way."

Martin said planned improvement projects at Dorval costing up to $500 million, including expansion of the terminal, will go ahead.

Discussions with a consortium of banks to secure financing are under way, he said.

Pageau-Goyette, former head of the Chambre de Commerce de Montréal, was among the first board members of the not-for-profit airport authority when it was created in 1992.

# Jitec factory is 2 offices

## Firm has tiny production despite $350-million value on stock market

DON MACDONALD
*The Gazette*

For its elephant-size stock-market value of $350 million, **Jitec Inc.** has a mouse-size production facility.

The Nuns' Island maker of network computing equipment has just two people working in a tiny workshop above a Saint-Hubert computer store to make the equipment it markets to businesses.

No one was working in the two offices devoted to the workshop when *The Gazette* visited this week. But a company official confirmed yesterday that the location is the production facility where an employee and an intern have been producing Jitec's network computing terminals.

"(It) was sufficient enough for our needs up to this point," said Michel Brown, Jitec's chief operating officer.

The value of Jitec – a company with 50 employees that has yet to make public financial statements – has swelled since it went public on the Montreal Exchange on July 26.

Investors have bid up the company's shares to as high as $11.65 on Aug. 10, giving it a market value at that time of $734 million. It closed yesterday at $5.60 for a market value of $353 million.

By comparison, a mid-size Montreal manufacturer, **Unican Security Systems Ltd.**, with operations in 13 countries and 4,000 employees, has a market value of about $600 million.

The Quebec Securities Commission is investigating the possibility that trading in Jitec stock has been manipulated.

The commission is examining unusual trading patterns in the stock since the company went public through a reverse takeover of a mining company.

Brown said Jitec is looking at subcontracting production of its Winbit computer terminals to a local company that has the capacity to manufacture up to 30,000 units a month. The subcontractor, **Multimicro** of Anjou, produced 150 terminals for Jitec last week in a pilot project and "most likely we'll complete the association with them," he said.

"We've never claimed to be a computer manufacturer," Brown added. "We offer a service ... and it's always been our plan to give the manufacturing of our terminals to sub-contractors."

Jitec bills itself as "a new-generation" telecommunications company, designing, building and marketing networking gear that allows companies to cut their information-technology costs. It leases stripped-down computer terminals that are connected to powerful servers at centralized operating centres. This permits firms to access software, high-speed Internet service and tech support for $49.95 a month.

Brown said the company has 2,000 terminals installed in the Montreal area, with about 200 customers. That's a long way from the 5,000 that Jitec chief executive Benoit Laliberté claimed during a tour of Jitec's headquarters two weeks ago. Former employees interviewed by *The Gazette* say the number of installed Winbit terminals is much less. The employees say they were fired from Jitec late last month after asking for stock options that were due to them.

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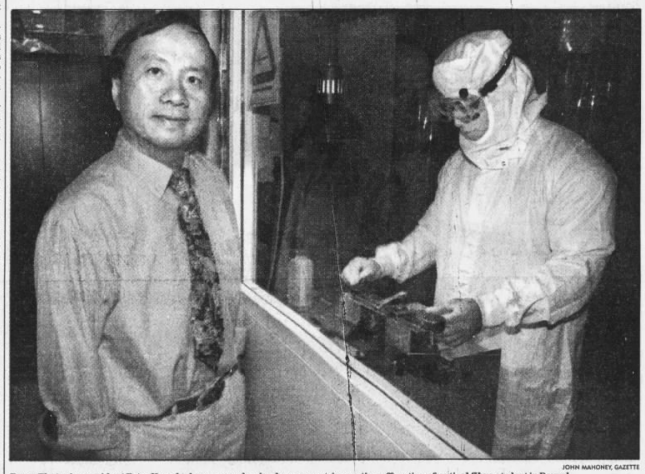

JOHN MAHONEY, GAZETTE

**Bragg Photonics president Peter Kung looks on as worker in clean room strips coating off section of optical fibre at plant in Dorval.**

# Success from the bottom up

## Depend on government subsidies? Not West Island businessman Kung

JAY BRYAN

Like the business he runs, Peter Kung is something of a disruptive influence – disruptive, that is, in the very best sense of the word.

I encountered Kung this week at a meeting of the West Island Business Development Council, one of the dozens of important but dull meetings a business journalist attends each year. He transformed the affair into an object lesson in entrepreneurship.

There was something that stood out about Kung right away in this crowd of well-groomed bankers, corporate executives and municipal politicians.

Maybe it was his casual, rumpled look. Maybe it was his sense of humour as he poked fun at his past business failures. But what really commanded attention was the story of his start-up company, **Bragg Photonics Inc.**, which makes a particularly powerful kind of telecommunications equipment that could revolutionize the growth of the Internet.

As the speakers droned on about the wide range of provincial subsidy programs they could offer and sought to take credit for the transformation of the West Island from a group of sleepy bedroom suburbs into the high-tech motor of the whole region's economy, Kung supplied a hastily muttered counterpoint, describing the explosive growth he has wrought with very little help from such subsidies.

He didn't put it that way, of course. After all, he had enough respect for the industrial-development bureaucrats to attend their meeting and sit respectfully through their presentations. But the contrast in their approach to entrepreneurship was striking.

This is not to denigrate the accomplishments of the municipalities that banded together to form the council or the officials who were smart enough to push for long-term prosperity through industrial development rather than the short-term tax revenues that flow from unrestricted residential construction. After all, they really did help shape the remarkable development of this area.

Today, according to the council's figures, the West Island has an electronics industry that employs more than 13,000, up by 57 per cent in the past three years; an aerospace industry that employs nearly 8,000, up by 82 per cent; and pharmaceutical manufacturers that employ 5,600, up by 68 per cent. And that's just to focus on a few industrial stars.

On the other hand, we all know that the area's transformation wasn't mostly determined by government strategies or industrial incentives.

Businesses were formed on the West Island or stayed there to expand because there was plenty of land, good highway access, a nearby airport and, perhaps most important of all, a deep pool of skilled workers.

Governments helped, of course, but mostly by doing what governments do best: by providing high-quality public services, from education to transport infrastructure, rather than by picking industrial winners. And, of course, Montreal's legendary seductiveness as a cosmopolitan city set among lovely mountains and lakes didn't hurt.

Just ask Kung why he's in Montreal, half a world away from his birthplace. Born in Hong Kong, he studied electrical engineering in the U.S. and worked in the microchip industry for 15 years, at **Motorola** in Phoenix, Ariz., and then at **Bell-Northern Research** in Ottawa and Mitel in Bromont.

So why is his company in the West Island of Montreal? Because when he worked in Bromont, he spent time in Montreal and grew to love it. Because business conditions these days are good. Because the West Island has people with the skills that are essential to a growing high-tech business.

Kung has been an independent entrepreneur in this city for well over a decade. He founded a small personal-computer manufacturing company in the late 1980s, did well financially, then moved into microchip design and other ventures that were intellectually satisfying but much less profitable.

**Sales have jumped from $1.6 million last year to more than $6 million this year. The firm is completing a second plant.**

Finally, nine years ago, he began work'ng in photonics, a promising area that deals with how telephone and computer signals can be processed and transmitted as light pulses through hair-thin optical fibres.

Optical fibres, which are already the backbone of the Internet, need to carry more and more information as new uses demand massive increases in the capacity of the Net. And that's where companies like Kung's come in.

Light, as anyone who has seen a rainbow knows, is divisible into many colours. Engineers have taken advantage of this to boost the Internet's capacity by dividing a single optical fibre into many channels, each using a different colour of light. But the more channels you have, the more important it is for each to be precisely tuned, and not to interfere with the adjacent channel.

Bragg, using a technology that it developed in co-operation with Nortel **Networks**, can etch lengths of optical fibre in such a way that they act as filters that are "tuned" to one narrow, precise colour of light, allowing many more channels to be transmitted down the same optical fibre at much lower cost than conventional technologies permit. Better, a new generation of these filters can be tuned to different channels, cutting the cost of optical fibre installations still further. Big makers of Internet equipment like Nortel, **Lucent** and **Cisco** are very excited about this technology.

The result: Bragg's sales have quadrupled from $1.6 million last year to more than $6 million this year. Because Kung has orders stretching years into the future, he can confidently predict massive future sales growth, to $40 million in 2001 and more than $125 million the year after.

Bragg is now completing a second plant, with a third on the drawing board.

Employment, which was 30 just six months ago, has jumped to 140. A year from now, it will be more than 400.

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